

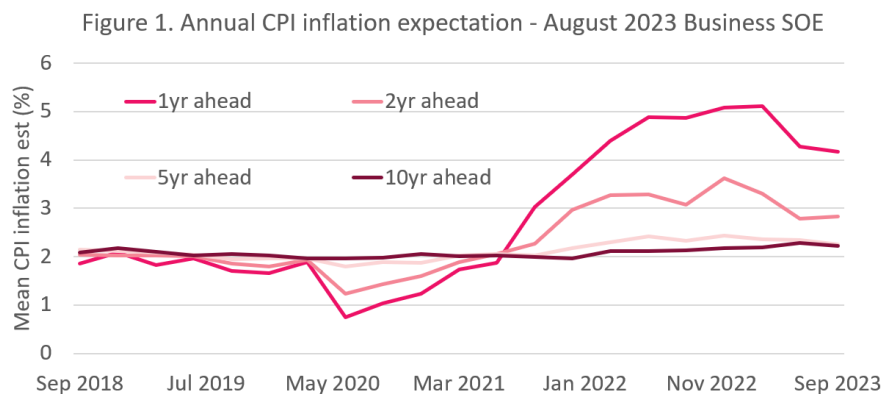
Summary

- Expectations for annual inflation one-year-ahead decreased to 4.17%, while two-year-ahead inflation expectations increased slightly to 2.83%.
- The five-year-ahead and ten-year-ahead inflation expectations dropped to 2.25% and 2.22%, respectively.
- Annual wage inflation expectations for one-year-ahead and two-year-ahead rose to 5.04% and 3.66%, respectively.
- Expectations for annual house price inflation one-year-ahead had a mean of 1.42%, rising 431 basis points from the previous estimate of -2.89%.
- On average, survey respondents expected the Official Cash Rate (OCR) to be at 5.53% by the end of the September 2023 quarter, similar to the average expectation of 5.47% last quarter, and decline to 5.16% in one year's time.
- Annual GDP growth was expected to be 1.02% one year ahead and rise to 1.95% two year ahead.
- On average, survey respondents expected the one-year-ahead unemployment rate to rise to 4.47%, and they expected the two-year-ahead rate to be 4.68%.

Short-term CPI inflation expectations remain elevated

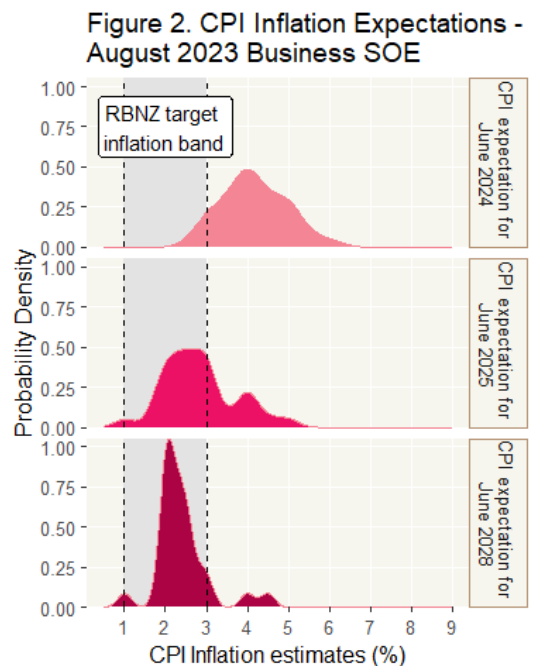
This quarter's Survey of Expectations was conducted following Stats NZ's CPI release on 19th July 2023. The annual CPI inflation for the June 2023 quarter was measured at 6.0%, a decline from last quarter's 6.7% annual inflation.

Respondents' expectations for one-year-ahead annual inflation have declined, while the expectations for two-year-ahead inflation expectation are slightly up. The five-year-ahead and ten-year-ahead annual inflation expectations decreased from last quarter's mean estimate and remained within the 1-3% inflation target band (see Figure 1).



Short-term and medium-term CPI inflation expectations

The mean one-year-ahead annual inflation expectation decreased from 4.28% to 4.17%, a decline of 11 basis points compared to the last quarter. The mean two-year-ahead annual inflation expectation slightly increased by 4 basis points to 2.83% from 2.79% in the previous quarter and stayed in the inflation target band of 1-3%. (see Figure 2).



Long-term CPI inflation expectations

The mean five-year-ahead annual inflation expectation was 2.25%, a decline of 10 basis points from 2.35% in March 2023. The mean ten-year-ahead annual inflation expectation decreased by 6 basis points to 2.22% from 2.28% in the previous quarter.

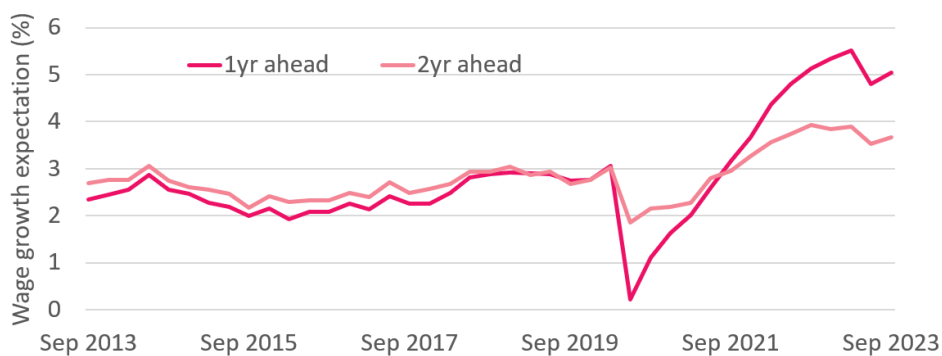
Wages are expected to rise further

We ask respondents their expectations of the annual percentage change in average hourly wage rates, as measured by Stats NZ's Quarterly Employment Survey (QES) for private sector (ordinary time).

The mean one-year-ahead expectation for annual wage inflation was 5.04%, an increase of 24 basis points from 4.80% recorded in the June 2023 quarter (see Figure 3).

The mean two-year-ahead annual wage inflation expectation increased by 13 basis points from last quarter's value of 3.53% to 3.66%.

Figure 3. Wage expectation - August 2023 Business SOE



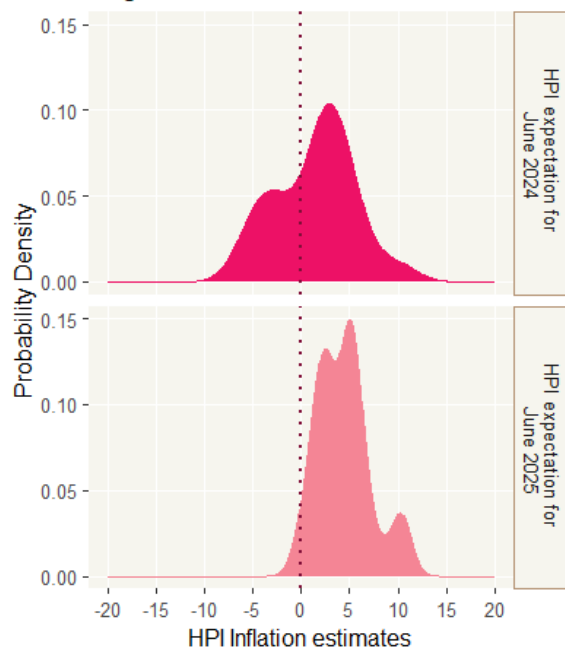
House prices are expected to rise in the next year

The survey asks respondents for their expectation of the annual percentage change in the house price index in the June quarter 2024 (one-year-ahead) and June quarter 2025 (two-year-ahead).

The mean estimate for annual house price growth one-year-ahead rose 431 basis points to 1.42% from the previous quarter's estimate of -2.89%. This marks the first positive expected mean figure since December 2021.

The mean two-year-ahead expected annual house price change was 4.42%, which was 78 basis points higher than last quarter's mean estimate of 3.64%.

Figure 4. HPI Expectations - August 2023 Business SOE



OCR expected to remain around the same level next quarter, and to decrease in the next year

According to survey respondents, the mean estimate for the Official Cash Rate (OCR) is expected to be at 5.53% by the end of September 2023 quarter, staying around a similar level reported last quarter, and to drop next year.

The OCR was last raised by 25 basis points to 5.50% on 24th May 2023. The RBNZ's next *Monetary Policy Statement* will be released on 16th August 2023.

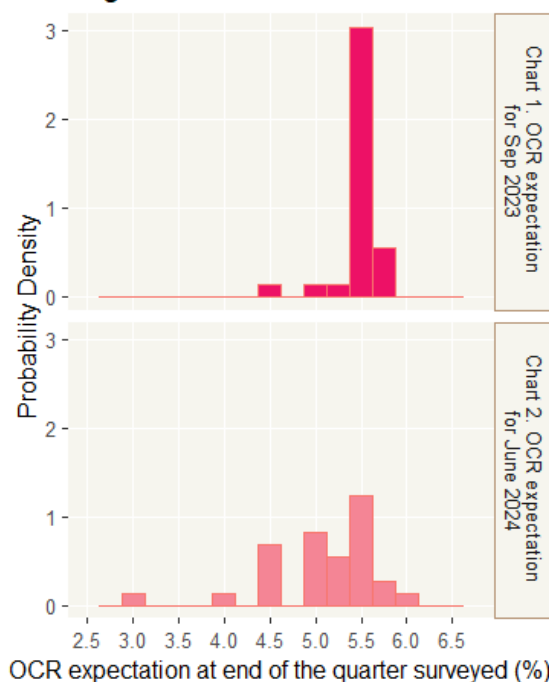
One quarter ahead

Based on the concentrated distribution of survey responses, a majority of respondents were expecting the OCR would remain at 5.50% by the end of the September 2023 quarter. The mean expectation increased by 6 basis points to 5.53% from last quarter's mean estimate of 5.47% (see Chart 1, Figure 5).

One year ahead

The mean estimate for the OCR one-year-ahead was 5.16%, an increase of 32 basis points over last quarter's estimate of 4.84%. Survey respondents' expectations ranged from 3.00% to 6.00% (see Chart 2, Figure 5).

Figure 5. OCR Expectations - August 2023 Business SOE



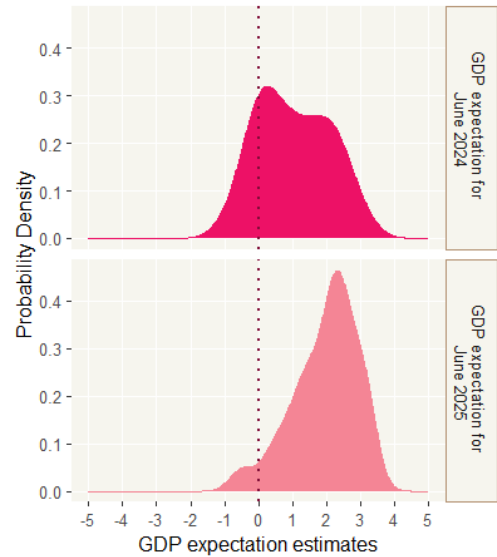
GDP growth expected to show a moderate increase over the next one and two years

The mean one-year-ahead GDP growth expectation rose by 54 basis points to 1.02% from 0.48% in the previous quarter.

The mean two-year-ahead expectation for GDP growth increased by 29 basis points to 1.95% from 1.66% in the last quarter.

This suggests that the survey respondents expect the economy will strengthen in the coming years.

Figure 6. GDP Expectations - August 2023 Business SOE



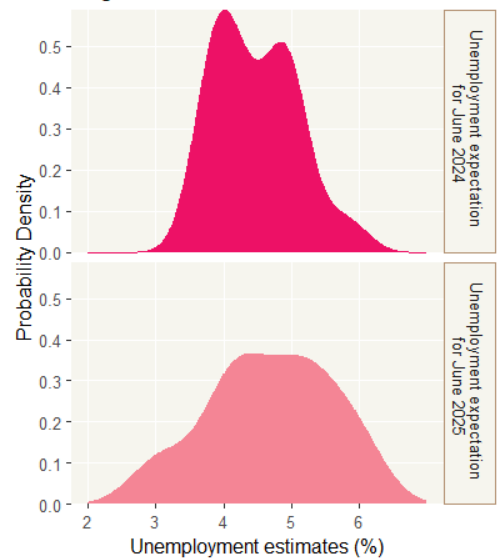
Unemployment expected to increase over next two years

The mean one-year-ahead unemployment rate expectation increased to 4.47% this quarter from 4.36% in the June 2023 quarter.

The mean two-year-ahead expectation for the unemployment rate decreased by 15 basis points to 4.68% from 4.83% last quarter.

Note: On 2nd August 2023, Stats NZ released unemployment statistics showing the seasonally adjusted unemployment rate was 3.6% in the June 2023 quarter, compared with 3.4% last quarter.

Figure 7. Unemployment Expectations - August 2023 Business SOE



About the Business Survey of Expectations:

The data for this report was obtained from 30 business leaders and professional forecasters by the Nielsen Company on behalf of RBNZ. Field work for the survey was run between the 20th July and 28th July 2023.

Survey of expectations fieldwork will be carried out by Research New Zealand – Rangahau Aotearoa from October 2023. This is a change from the current provider, The Nielsen Company. The new research provider was selected through a competitive procurement process, as the contract with the existing provider expires in September 2023.

The RBNZ will publish aggregate statistics from the Survey of expectations on 8 November 2023, in line with our Release Calendar. Time series will remain consistent and comparable.

We are not making any changes to the survey questionnaire nor panel of respondents at this stage.

For more information refer to the RBNZ website: Survey of expectations (M14) - Reserve Bank of New Zealand - Te Pūtea Matua (rbnz.govt.nz) or contact: statsunit@rbnz.govt.nz